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International Business

Business, Trade, and Investment Relations between the Czech Republic and Vietnam

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Declaration:

I hereby declare that I am the sole author of the thesis entitled "Business, Trade, and Investment Relations between the Czech Republic and Vietnam". I duly marked out all quotations. The used literature and sources are stated in the attached list of references.

In Prague on ....

Khanh Nghia Tran

Acknowledgement

I hereby wish to express my appreciation and gratitude to the supervisor of my thesis, doc. Ing. Ludmila Štěrbová, CSc., for her continuous support, helpful recommendations, and important comments during the writing of my work.

CONTENTS

List of abbreviations

ASEAN	Association of South East Asian Nations
ASEM	Asia–Europe Meeting
BIDV	Bank for Investment and Development of Vietnam
ČNB	Czech National Bank
CSSR	Czechoslovak Socialist Republic
ČSÚ	Czech Statistical Office
CZK	Czech koruna
EEC	European Economic Community
EU	European Union
EUR	Euro
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDP	Gross Domestic Product
IMF	International Monetary Fund
MFN	Most Favoured Nation
NATO	North Atlantic Treaty Organization
SAD	Single Administrative Document
SBV	State Bank of Vietnam
SITC	Standard International Trade Classification
TARIC	Integrated Tariff of the European Union
UN	United Nations
USD	United States dollar
VAT	Value Added Tax
VND	Vietnamese dong
WTO	World Trade Organization

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Introduction

The then Czechoslovakia and Democratic Republic of Vietnam concluded the first agreement of mutual cooperation in 1950. Four years later, Embassy of Czechoslovakia was opened in Hanoi. The Democratic Republic of Vietnam opened an embassy in Prague a year later. Collaboration between both countries fully started to develop in 1956 as Czechoslovakia offered Vietnam help with training of labour in various fields such as light industry manufacturing or mechanical engineering. Following agreements, which were signed during the 1970s, enabled Vietnam to send more workers, trainees, and students to Czechoslovakia. These agreements were concluded as an act of collaboration between socialist states. In the first half of the 80s, the number of Vietnamese citizens in Czechoslovakia rose to around 30 000. This number started to decline in the following years and due to political changes in Eastern Europe at the end of the 1980s, the agreement on labour training was cancelled in 1990. Despite the dissolution of Czechoslovakia in 1993, economic cooperation between the Czech Republic and Vietnam was not affected and continued. Since then, Czech-Viet trade and investment relations have been growing and strengthening year on year, particularly in terms of export and import. Developed Czech Republic provides Vietnam with more sophisticated products such as machinery, whereas Vietnam's exports to "the heart of Europe" have predominantly been agricultural products (e.g. tea, coffee, rice), textiles, and footwear (Quan hệ hợp tác giữa, n.d.).

I chose the topic "Business, Trade, and Investment relations between the Czech Republic and Vietnam" because I see great potential in trade between these two countries. And I believe that this potential has not been thoroughly fulfilled yet. Vietnamese community in the Czech Republic now represents the third biggest minority. In particular, "the second generation Vietnamese", thus descendants of the first generation, which came to Czechoslovakia during the late 70s and the early 80s, has the ability to shift the trade relations to a higher level. Taking into consideration their high level of education, language and cultural knowledge of both countries, "the second generation" has great preconditions for deepening business relations between the Czech Republic and Vietnam in the future. The second reason why I chose this topic is that I would like to deepen my knowledge about cooperation between my "home countries". Unfortunately, I only have basic knowledge about the economic situation in Vietnam since I have been living my entire life in the Czech Republic. Hence, I believe that research, which I am going to conduct whilst writing this paper, will give me a stronger background in the economy of Vietnam and its trade relations with the Czech Republic.

The objective of this thesis is to provide the reader with deeper understanding of trade and investment relations between the Czech Republic and Vietnam. In addition, I will also try to suggest promising export opportunities for both countries and investment possibilities for potential investors in Vietnam. As such, the thesis has been divided into three main chapters.

The introductory chapter deals with general economic characteristics of both countries. The subsections of the chapter start by providing basic information about countries and their current economic situation. The end of each subchapter discusses macroeconomic data and position of the countries in world in terms of trade.

The second chapter is focused on the trade relations between the Czech Republic and Vietnam. I will describe the development of trade between the countries and the agreements. Afterwards, I will examine the customs, laws and regulations in each of the states. I will then finish the chapter with an overview of Czech exports to Vietnam and vice versa, and recently signed free trade agreement between the EU and Vietnam.

The last chapter is concerned with investment relations between the two countries. Firstly, I will discuss mutual investments in both states. In the third subchapter, I will discuss possible investment opportunities in Vietnam by pointing out areas/industries, which have not been fully developed yet and pose great investment potential.

1. Characteristics of both countries

Every country's economy is specific in its own way and differs from the others. These differences are the result of many factors, which mutually shape the state's economy. Factors such as investment into R&D, natural resources or political strategy of a country are very important in assessing the level of economic development. In particular, the politics of a state has become crucial during last decades. International trade has become a necessary part of today's globalised world, thus, openness of the economy and good relationships with trading partner states are pivotal for development of a country itself. We have seen the importance of political economy strategy in many countries in the past. The economic rise of China is a perfect example. However, the Czech Republic and Vietnam went through some changes as well. In this chapter, I will discuss the economic situation in the countries and their position in global trade.

1.1. Summary information of the Czech Republic

The Czech Republic, often called as the "heart of Europe", is a small country located in Central Europe. It is bordered by Slovakia to the southeast, Austria to the south, Germany to the west and Poland to the northeast. These neighbouring countries are also the main trade partners of the Czech Republic. Especially connections to Germany are very important for the Czech economy. The country has around 10.6 million inhabitants (July 2015 est.), which ranks it the 85th place in the world ranking of most populous countries (The World Factbook, 2014). The official currency is Czech crown (česká koruna); official exchange rate on the 18th November 2015 was 27.03 CZK/1 EUR (ČNB exchange rate). The Czech Republic is nowadays considered as a developed country with advanced, high-income economy and decent living standards. Nevertheless, like any other country, Czech economy went through many bright as well as dark moments in the past. I will briefly describe the economic situation after the World War II in the next subchapter.

1.1.1. Development of Czech economy

Post-war period brought the then Czechoslovakia many changes. With the onset of the socialist system, all industrial enterprises were nationalised. The government also forcibly collectivised agriculture and created unified agricultural cooperatives. Centrally planned economy started to focus on heavy industry and relationships with the East became more and more prominent. After the collapse of communism in Czechoslovakia in 1989, the state introduced a new programme with the goal of returning back to market economy. However, transformation of the economy was very complicated. The collapse of the Soviet Union meant that Czechoslovakia lost its main market for its engineering products since it had been focusing mainly on markets of the Eastern Bloc countries. As a result, Czechoslovakia reduced the production in heavy engineering industry and coal mining. Massive unemployment followed, largely in industrial regions such as Northern Bohemia and Northern Moravia. Therefore, the government did not focus only on markets of post-soviet countries anymore, but it started to build trade relationships with developed western economies as well.

Privatisation continued after the dissolution of Czechoslovakia in 1993. It was divided into three main processes – restitution and small and great voucher privatisation. Nationalised enterprises and lands were returned to former owners. A large number of state-owned businesses was privatised mainly in the form of joint-stock companies. Some significant enterprises were sold to foreign investors. For instance, Czech automobile manufacturer Škoda Auto became the Volkswagen Group subsidiary in 1991, when German company bought 30% Škoda Auto's shares. By 2000, Volkswagen Group became the 100% owner of the Czech company (VW and Skoda, n.d.). Due to the recession of the Czech economy, the government introduced a system of investment incentives (e.g. lower corporate income taxes or discounted price of land) to attract foreign investors.

The Czech Republic joined the European Union on 1st May 2004. This was a moment of great import for the country from the economic perspective. Becoming part of the European Single Market meant that there were no trade barriers within the EU anymore. In general, the Czech Republic improved its international status and the performance of its economy. Foreign direct investment (FDI) inflows increased and the country could benefit from the structural funds of the EU for the development of not only its industry, but its regions as well.

1.1.2. Current economic situation

Nowadays, the Czech Republic is regarded as one of the most developed economies in Central and Eastern Europe. Czech economy is mainly based on services (60% of the GDP) and industry (37.4%), remaining 2.6% of the gross domestic product is accounted to agriculture (The World Factbook, 2014). As it is customary in developed countries, agriculture is the least significant sector of their economies. The most grown agricultural products in the Czech Republic are wheat, sugar beets, potatoes, hops or fruits. The main sectors of services are banking and insurance, telecommunications, logistics and warehousing, hospitality services and tourism. Manufacturing is dominant within the overall industry revenues, this sector generated 92,3% of total industry revenues in 2014. Automotive industry (26.1%) is the most important sector for the Czech Republic. A record number of 1,246,506 vehicles was produced in the Czech Republic in 2014. Other major sectors include production of computers, electronic and optical devices (8%) or construction and agricultural machinery (7.1%). These industries are predominantly under control of foreign companies, and production is intended for export. We also must not forget to mention the importance of beer industry, which made the Czech Republic famous worldwide (Analýza vývoje ekonomiky, 2015). Table 1 provides more detailed overview of Czech industry revenues.

Table 1: **Sector share of total industry revenues in 2014**

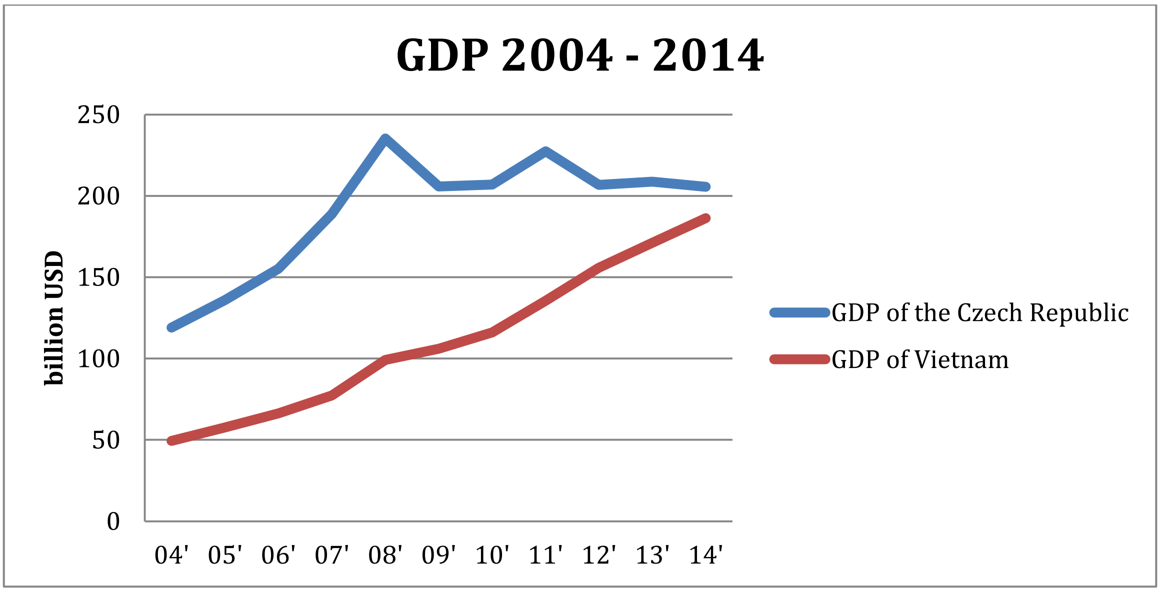
	Year 2014 (shares in % of total sales)
Total industry	**100**
Mining and quarrying	**1.8**
Production and distribution of electricity, gas and heat	**5.9**
Manufacturing (Processing industry)	**92.3**
Production of food products	5.3
Production of beverages	1.5
Production of chemicals and chemical products	4.4
Production of computers, electronic and optical devices	8
Construction and agricultural machinery	7.1
Production of metal constructions	5.5
Manufacturing of rubber and plastic products	6.2
Fabricated metal products, foundry industry	4.9
Production of coke and refined petroleum products	3.7
Manufacturing of other non-metallic mineral products	2.9
Production of motor vehicles	26.1
Other Processing industries	16.7

Data source: ČSÚ (Czech Statistical Office), 2015

1.1.3. Macroeconomic data

Macroeconomic data indicate the performance of state's economy. According to the World Bank statistics from 2014, gross domestic product of the Czech Republic was approximately USD 205.5 billion, GDP per capita at nominal value amounted to USD 19,554. After joining the EU, Czech economy experienced quite rapid, constant growth in terms of GDP. Nevertheless, the financial crisis in 2009 had a negative impact on the Czech Republic and caused the decrease of almost USD 35 billion. Since then, except for the year 2011, GDP of the Czech Republic has been more or less stable at the average value of USD 207 billion. With regard to GDP growth, there was an increase of 2% in 2014. The biggest drop occurred in 2009, when the GDP shrank by 4.8%. The unemployment rate of the Czech Republic was around 6.1% in 2014, which ranked it among top 6 countries within the EU. Due to interventions by Czech Central Bank (ČNB), the inflation rate has been relatively low and stable around the average of 2% for the last decade. In terms of inflation, the country ranks again among the top of the EU. The Czech Republic struggles with its shadow economy, which, according to the newest estimations, creates more than 15% of the GDP (Horáček, 2015). This number should be lower in the next years since the government plans to introduce EET system of taxation in 2016, which would help eliminate tax avoidance. Aging population is another issue not only in the Czech Republic, but also in the whole of Europe. The problem is caused by longer life expectancy, which reflects better living standards, and low birth rate. The population group with an age below 14 forms 14.8% of the total population in the Czech Republic. The second group (15–64) is accounted for 67.6% and the oldest group 17.5%. Experts predict that the youngest group will create up to one third of the total population in 40–50 years (The World Bank, 2014). As a result, potential labour shortage and sustainability of the pension system could damage the economy of the country in the future.

Figure 1: **Comparison of the GDP of the Czech Republic and Vietnam (2004 – 2014)**



Data source: The World Bank, 2014

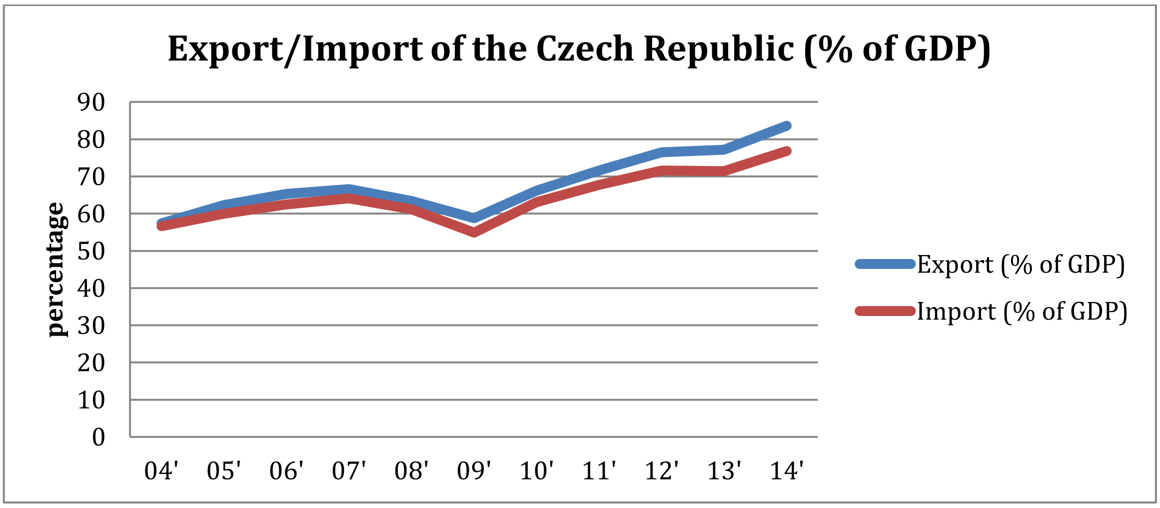
1.1.4. International Trade

Czech Republic's biggest trade partners are its neighbouring countries Germany, Slovakia, and Poland. Half of Czech exports and more than two fifths of the imports are among these states. The Czech economy is now so tied to the German one that any drop in Germany will affect Czech's economic performance afterwards. 31.3% of Czech exports headed to Germany in 2013. In comparison, Slovakia, which ranks the second, accounts for only 8.8% followed by Poland with 6% (Heczková, 2014). A crucial moment for the Czech Republic in terms of trade relations was joining the European Union in 2004. As seen from Figure 2 (see page 12), except for the financial crisis in 2009, Czech export and import kept rising every year ever since the country became part of the EU. Figure 2 also shows that the Czech Republic has been successfully maintaining positive balance of trade since 2004. Thus, the state exports more than it imports.

Czech export is mainly based on machinery and vehicles, mineral fuels and IT products such as computers and antivirus software. Automobiles with the value of almost CZK 300 billion were exported in 2013. The main destinations for Czech goods are the EU countries, the US, China and Switzerland. In recent years, there has been an increase in trade with Russia, which imported record amount of goods worth CZK 116.2 billion from the Czech Republic in 2013 (Bílý, 2014). However, these numbers decreased in following years due to EU sanctions against Russia. According to the most recent statistics, the Czech Republic took 37th place (USD 110.5 billion) in world export ranking (The World Factbook, 2014).

With regard to imports, the country ended in 33rd place (USD 101.9 billion) last year (The World Factbook, 2014). Most goods came from Germany, China, Poland and Slovakia. Especially trade relations with China became significant during the last decade. Import of textiles almost doubled and nowadays approximately one third of textiles come from China. The fact that the Czech Republic is now the member of other major international organizations such as the WTO, the NATO, the UN or the IMF gives the country better global exposure and creates greater opportunities for international trade.

Figure 2: **The percentage of export and import to the GDP of the Czech Republic**



Data source: The World Bank, 2014

1.2. Summary information of Vietnam

As the official name – the Socialist Republic of Vietnam – suggests, the country belongs among the last four communist states of the world. Vietnam is located in Southeast Asia, bordered by China in the north, Laos and Cambodia in the east. The capital of Vietnam is Hanoi (approx. 7 mil. inhabitants) located in the north. However, the largest city is Ho Chi Minh City (also known as Saigon) with population of over 8 million. According to the most recent statistics, Vietnam is the 15th most populous country with more than 94.3 million inhabitants (The World Factbook, 2014). The official currency is Vietnamese Dong (Đồng), and the official exchange rate on 27 November 2015 was around 23 459 VND/1 EUR. (SBV exchange rate) Vietnam has gone through many difficult situations in the past. Wars with China, France, and the US left the country and its economy devastated. Nevertheless, after the establishment of peace, thanks to many economic reforms, Vietnam has vastly improved its economy and living standards in the state. Nowadays, Vietnam is considered as one of the fastest growing economies in Southeast Asian region. Hence, many economists see Vietnam as the “new China”.

1.2.1. Development of Vietnam's economy

After the unification of Vietnam in 1975, the country was in very poor condition. With the GDP of only USD 3.4 billion, Vietnam belonged to one of the poorest countries in the world. During this period, the inflation shot up to unbelievable 774.7 % – the historical maximum. To bring the country out of economic crisis, the government introduced new socio-economic reform "Đổi Mới" at the 6th National Congress of the Communist Party of Vietnam in December 1986 (Võ Đại, 2015). The main goal was to shift the centrally planned economy to a socialist-oriented market one, thus, be more open to foreign investments, which would help boost the economy of the state.

Implementation of the reform fully began in 1989, when the government introduced new reform measures, which included:

- Liberalisation of the domestic market
- The abolition of quotas in foreign trade
- Completion of decollectivisation
- Tariff reduction for commercial and non-commercial imports
- Introduction of market pricing system

(Võ Đại, 2015)

And looking back, Đổi Mới was a crucial economic decision in the history of Vietnam. During the next 20 years after the reform, GDP growth rate of Vietnam was always in the top positions, compared to other Asian countries. GDP increased from USD 16.2 billion in 1986 to USD 61.6 billion in 2006 (The World Bank, 2014). Furthermore, the poverty rate dropped down by half, in other words, almost 30 million people escaped from poverty.

Certainly, liberalisation of the market led to the increase of export as well. Particularly in the agricultural sector, which Vietnam's economy was based on. Products like pepper (world's number one producer), rice or coffee were no longer exported to just neighbouring and ex-communists countries, but to the whole world as well. The exports boosted from USD 1.7 billion in 1986 to almost USD 45 billion in 2006 (The World Bank, 2014).

Vietnam cooperated with international organisations such as the IMF, the World Bank, and the Asia Development Bank to make sure that Đổi Mới was following all international standards and regulations. The country wanted to increase its participation in the global production networks and to attract foreign investors, whose technology could serve the modernisation process.

Then in 1995, Vietnam became the member of ASEAN (The Association of Southeast Asian Nations). A year later, it became a founding member of ASEM (The Asia-Europe Meeting). Another big step for the country was joining the WTO as the 150th member in 2007 after 11 years of difficult and persevering negotiations.

1.2.2. Current economic situation

Vietnam now has a very dynamic economy with strong annual growth. Similar to other developing countries, most people work in agriculture (48% of total labour force), then 31% of the labour work in services and 21% in industry. Nevertheless, measuring the economy by the contribution of each sector to GDP, services constitute 43.4%, industry 38.5%, and agriculture only 18.1% (The World Factbook, 2014). This is due to the fact that industrial products have higher value than agricultural ones. Moreover, even though agriculture is still big in the country, industry is gaining in importance since Vietnam has become an attractive location for foreign corporations.

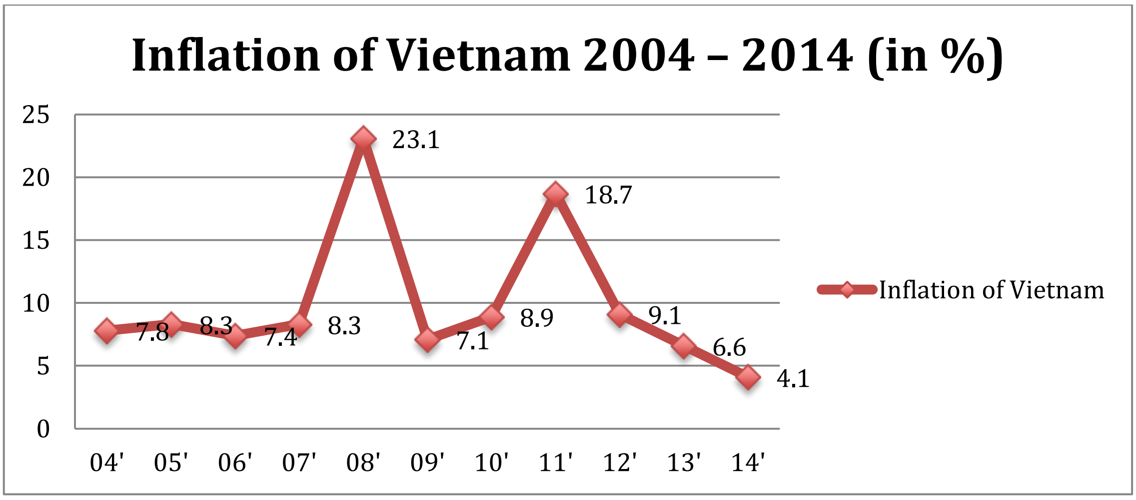
The most grown agricultural products in Vietnam are rice (more than 70% of the land is used for rice cultivation), pepper (biggest world producer), coffee, and rubber. The main service sectors are hospitality services and tourism (8% growth in 2014 compared to 2013), logistics, transportation, and the banking sector. Big investments from both the government and private investors into tourism, and its picturesque natural heritage make Vietnam a very popular destination for vacations. As for Vietnamese industry, manufacturing is a dominant sector. Its growth is now being aided by high-tech manufacturing thanks to large investments from foreign corporations such as LG, Samsung, and Sony. Textiles and garments industry consistently belong to Vietnam's major export industry. Other important industries include automotive industry, pharmaceuticals, consumer electronics, and the processing of prefabricated metal products. On top of that, Vietnam has quite a lot of mineral resources. However, extraction of petroleum and natural gas is still very limited due to the lack of advanced technology (Dang Thi Phuong and Barbour-Lacey, 2015).

1.2.3. Macroeconomic data

As the World Bank statistics for the year 2014 show, gross domestic product of Vietnam was approximately USD 186.2 billion, GDP per capita at nominal value amounted to USD 2,052. As seen from Figure 1 (see page 10), Vietnam has been experiencing constant GDP growth in a range of 5 – 8% for the last two decades. Since Vietnam's economy is not that dependent on the USA and other western countries, it was not really hit by the financial crisis in 2009 and maintained its growth of 5.4%. If the economy keeps growing at the similar pace as it has been developing till now, Vietnam's nominal GDP will most likely overcome the Czech Republic's GDP in next few years. However, one has to take into account the fact that this is mainly given by Vietnam's size relative to that of Czech Republic's. Nevertheless, historical GDP data proves the strong growth Vietnam has been experiencing as a result of its political and economic reforms. On the other hand, looking at nominal GDP per capita, Vietnam is still far behind the Czech Republic. This is partially explained by the country's struggles with income inequality. Even though the country's economy is growing, there is still a large group of poor people. An average income in Vietnam is approximately 140 – 160 USD/month. In reality, earnings of people in rural areas are even lower (Võ Đại, 2015).

Inflation is another serious issue in Vietnam. The country has been suffering from high inflation since the 1980s. The main causes are quick economic growth, and lack of production resulting in the imbalance between supply and demand in the past. In the last decade, Vietnam experienced extremely high inflation rate twice – 23.1% in 2008 and 18.7% three years later (The World Bank, 2014). These high inflations were the reflections of huge domestic demand and rapid rise in food prices in the country in the backdrop of growing prices of food and other commodities (especially oil) in international markets.

Figure 3: **Inflation of Vietnam (2004 – 2014)**



Data source: The World Bank, 2014

The unemployment rate of Vietnam has been relatively stable for last decade at an average of 2.3%. This seems to be very good for a country with more than 90 million inhabitants. On the other hand, there can be more than two workers, who switch between each other for one position with a very low salary. Thus, the statistically low number looks great only for the government. However, the numbers do not reflect the real situation, as there are still many people living in poverty.

In contrast to the Czech Republic, Vietnam does not have a problem with ageing population. People under the age of 25 constitute over half of the population of the country. Compared to the oldest age groups (65+) of both countries, this group represents only 6.6% in Vietnam, whereas the number in the Czech Republic is almost three times higher (17.5%) (The World Bank, 2014). Figures 3.1 and 3.2 (see page 17) show the age distributions of the population in both countries.

Figure 3.1

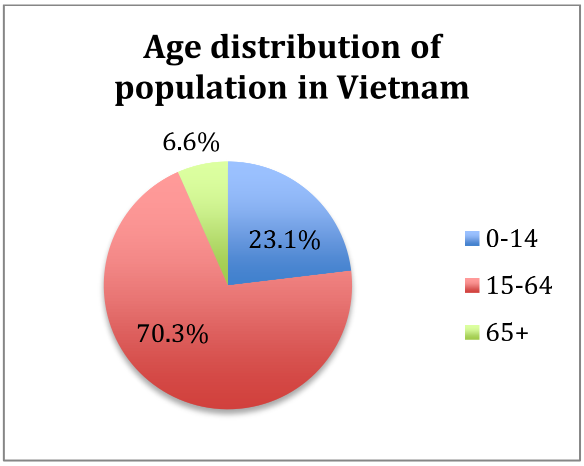
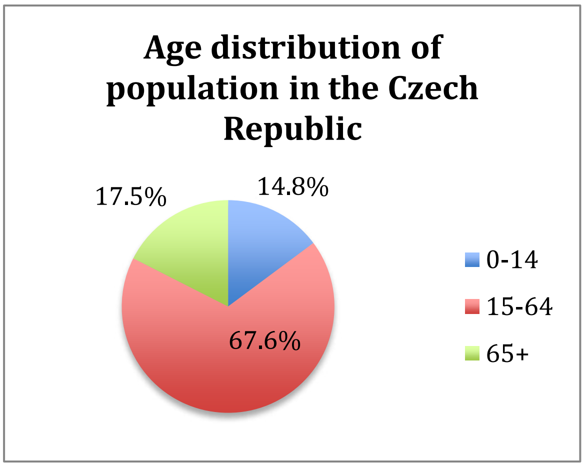


Figure 3.2

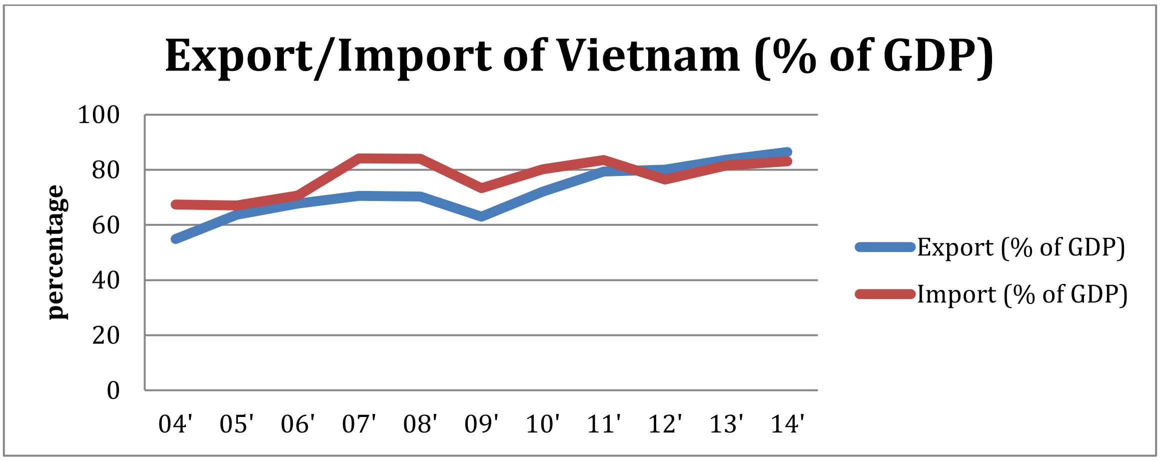


Data source: The World Bank, 2014

1.2.4. International Trade

After the economic reform Đổi Mới, international trade became increasingly important for the country. Vietnam's economy has gradually transformed from an import-oriented economy into an export-oriented one. As seen from Figure 4 (page 18), Vietnam's export exceeded its import for the first time in 2012, when the export reached 80% of GDP, whereas the import constituted only 76.5%. In 2014, exports as a share of GDP climbed to 86.4 %, which is the highest number so far (The World Bank, 2014). It is predicted that this trend would continue in the following years as well.

Figure 4: **Exports and imports as percentages of the GDP of Vietnam**



Data source: The World Bank, 2014

Total exports reached USD 150 billion in 2014, which meant an increase of 13.6% in comparison with the previous year. Local companies exported goods in the amount of USD 48.4 billion, whereas foreign investors exported USD 101.6 billion. The biggest consumer of Vietnamese goods was the US with USD 28.5 billion. Export to states of the EU reached USD 27.9 billion and to ASEAN countries USD 19 billion. Major export commodities include phones and its components (USD 24.1 billion), textiles, footwear, computers and its components (Vietnam: Zahraniční obchod a investice, 2015).

Table 2: **Vietnam's top 5 Exports in 2014 and their value in USD**

Industry	Billion USD
Telephones and components	$ 24.1
Textiles	$ 17.5
Consumer electronics	$ 8.9
Footwear	$ 8.3
Seafood	$ 6.55

Data source: General Statistics Office of Vietnam *(Tổng cục Thống kê)*, 2015

Vietnam's import amounted to USD 148 billion, which meant an increase of 12.1% in comparison with the year 2013. Domestic companies realised imports valued at USD 84.5 billion and for foreign investors the value was USD 84.5 billion. Most goods were imported from China (USD 43.7 billion), followed by the ASEAN countries (USD 23.1 billion). Goods imported from the EU and the US similarly amounted to USD 8.9 billion. Major import items were consumer electronics, computers, mobile phones, textiles, petrol, steel, and plastics in their primary form (Vietnam: Zahraniční obchod a investice, 2015).

As already mentioned, Vietnam is now a member of the ASEAN and the WTO. The membership in these strong international organisations contributes to the further development of international trade. Besides, Vietnam, the United States and ten other countries have signed the Trans-Pacific Partnership (TPP) in October 2015. The trade agreement, that cuts nearly 18,000 tariffs among 12 participating parties, could significantly boost Vietnam's economy. It is expected that Vietnam with its cheap labour might profit the most from the TPP. "In a decade, the country's gross domestic product will be boosted 11 percent, or USD 36 billion, as a result of the world's largest trade pact. Exports may soar 28 percent in the period as companies move factories to the Southeast Asian country" (Boudreau, 2015).

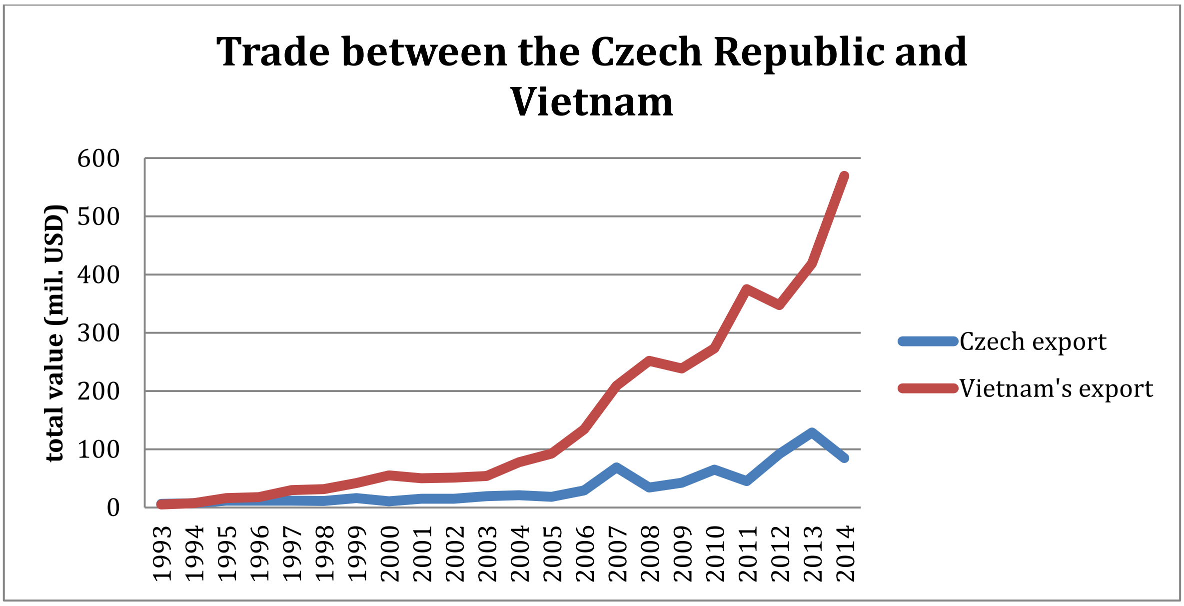
2. Trade Relations between both countries

Today's relatively strong relationship between the Czech Republic and Vietnam is the result of numerous negotiations and signed bilateral agreements over the past 60 years. Both countries have gone through many changes during this long period, so have their relations. Initial economic relations during the 60s and 70s between the countries were rather one-way economic, educational support from the developed Czech Republic to poor Vietnam. However, the situation has changed and the countries' relations can now be described as fully-fledged mutual cooperation. Vietnam no longer plays a "passive role" in this relationship, but the country exports its products and invests to its counterpart as well. The first part of this chapter will examine how the trade between the countries has been developing since the 1950s. Following subchapter presents important trade agreements that were concluded in the past. In the second part of the chapter, I will discuss Czech and Vietnamese customs and laws, which should importers and exporters be aware of. The chapter ends with analysing exports and the commodity structure of trade between the Czech Republic and Vietnam.

2.1. Development of trade between the Czech Republic and Vietnam

Czechoslovakian government established its first political and economic relations with Vietnam in February 1950. However, the full cooperation began later in 1954, when Vietnam was conclusively liberated from the domination of France. At the beginning, the collaboration was mainly based on economic support from Czechoslovakia to war-torn Vietnam. On the other hand, strategic location of Vietnam was an excellent opportunity for Czechoslovakia to get a better access to other markets in the Southeast Asia region. Apart from the economic help, Czechoslovakia offered Vietnam help in education as well. In 1973, visit of Governmental delegation of the Democratic Republic of Vietnam to Prague resulted in an agreement that Czechoslovakia would accept 10 – 12 thousand Vietnamese students. Other agreements that were signed in the following years created occasions for vocational trainees, workers, and students to come to Czechoslovakia. However, political changes in Czechoslovakia in 1989 caused a slight outflow of Vietnamese from the country since the agreement between countries ended (Quan hệ hợp tác giữa, n.d.). During 1989 – 1993, Czechoslovakia had to cope with many difficulties resulting from the change in political regime and dissolution of the country into two separate states – the Czech Republic and the Slovak Republic. Nevertheless, at the time insignificant trade relations with Vietnam grew rapidly as the Czech government stabilised its post-split situation and opened its economy to the world. As seen from Figure 5, especially after the accession of the Czech Republic to the European Union in 2004, Vietnam's export to the Czech market experienced a significant growth. In 2014, the total value of exported Vietnamese goods was nearly USD 570 million (Chau, 2015).

Figure 5: **Trade relation between the Czech Republic and Vietnam**



Data source: Czech Statistical Office (ČSÚ), 2015

Furthermore, for the period 2010-2020, the Czech Republic was placed on the list of Vietnam's strategic export markets. Simultaneously, Vietnam is considered as one of the top twelve potential markets of the Czech's investment and trade promotion plan. Thanks to the geographical location of the Czech Republic and the membership in the European Union, Czech market is not only the consumer market for Vietnamese products, but it could serve as a "bridge" into other European countries. The EU market with more than 500 million people is a huge enticement for Vietnamese businesses. According to Mr. Võ

Tân Thành, Vice President of VCCI (Vietnam Chamber of Commerce and Industry), current bilateral trade is still at a low level. Therefore, in the upcoming period, Vietnam and the Czech Republic will strive to bring the bilateral trade to reach USD 1 billion. At the "Vietnam-Czech Business Forum", which was held in Ho Chi Minh City, Mr. Milan Štěch, President of the Senate President of the Czech Republic, said that as the Czech Republic is an important gate for Vietnam's export to the EU, he believes that the cooperation will, on the other hand, help Czech businesses to integrate better into the much attractive Chinese market and other fast-growing ASEAN markets as well. So far both countries have signed almost 50 "state level" agreements, nevertheless, recently signed Vietnam-EU FTA (Free Trade Agreement) and Trans-Pacific Partnership (TPP) notably improves conditions for Viet-Czech economic cooperation (Chau, 2015). In the next subchapter, I will present a list of economic agreements between the two countries.

2.2. Agreements

Following economic/trade agreements are signed between the Czech Republic and Vietnam:

- Trade agreement between the Government of the Czech Republic and the Government of the SRV *(Prague, 22 August 1994)*
    - *In order to harmonise with EU legislation, the agreement was terminated with the accession of the Czech Republic to the EU and a new "Agreement between the Government of the Czech Republic and the Government of the SRV on economic cooperation" was signed on 13 September 2005 in Prague*
- Agreement between the Government of the Czech Republic and the Government of the SRV on the settlement of mutual receivables and liabilities *(Prague, 14 June 1996)*
- Agreement between the Government of the Czech Republic and the Government of the SRV on aviation services *(Prague, 23 May 1997)*
    - *In force since 28 August 1997*

- Agreement between the Government of the Czech Republic and the Government of the SRV on the avoidance of double taxation and prevention of tax evasion of income tax and property tax *(Prague, 23 May 1997)*
- Agreement between the Government of the Czech Republic and the Government of the SRV on the promotion and reciprocal protection of investments *(Hanoi, 25 November 1997)*
    - *In force since June 2009*

Nevertheless, a lot of agreements, signed in the Czechoslovakian era, have remained in force even after the dissolution of the country. They were only adjusted through various amendments. After the accession of the Czech Republic to the European Union in 2004, all trade agreements between the Czech Republic and Vietnam were terminated and replaced by new ones, which correspond with the EU legislation (see Trade Agreement between the Government of the Czech Republic and the Government of the SRV) (Vietnam: Obchodní a ekonomická spolupráce s ČR, 2015).

Besides that, there are many agreements that are not only related to the trade but to other sectors as well:

- Agreement between the Government of the CSSR and the Government of the SRV on cooperation in health care *(Hanoi, 30 December 1964)*
- Agreement between the Government of the CSSR and the Government of the SRV on cooperation in rubber cultivation *(Ho Chi Minh City, 16 March 1986)*
- Agreement between the Government of the Czech Republic and the Government of SRV on training of Vietnamese citizens in vocational schools in the Czech Republic *(Prague, 26 January 1994)*

The Czech Republic has currently 45 valid bilateral agreements with Vietnam (MZV, 2015).

2.3. Customs, Laws and Regulations

2.3.1. Import customs procedures in the Czech Republic

Imports of goods from the third countries (i.e. countries outside the EU) on the territory of the Czech Republic are subject to single customs regulations of the European Union. The Union's basic customs legislation is contained in the Customs Code (Council Regulation (EEC) No 2913/92) and the Code's implementing provisions (Commission Regulation (EEC) No 2454/93). Customs Code is valid uniformly throughout the territory of the European Union for exports and imports of goods (European Commission, 2009).

For the purposes of imports, all tangible goods and electrical energy are considered as goods. Importers are obliged to properly declare goods through customs administration and pay the assessed tariff. It is also necessary to submit an invoice confirming the purchase, and the price of imported goods, and completed Single Administrative Document (SAD). The actual duty is assessed by customs office under the tariff rate, which is set in the Community Customs Tariff. This tariff is composed of more than 10,000 eight-digit subheadings. Particular tariffs can be found in the EU Common Customs Tariff (Council Regulation (EEC) No 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff) on websites of the Customs Administration of the Czech Republic or in the TARIC – the integrated Tariff of the European Union (Základní informace pro každého importéra do ČR, 2009).

Importers should be aware of numerous protective measures against imports of certain goods, particularly textile products. Imports of textiles require the “Certificate of origin”, which proves the origin of the goods from any country except China. Because of the certain measures of the EU, textiles originating from China need a special license granted by Ministry of Industry and Trade. This license is used for monitoring the process of the import. The import document is issued free of charge within five working days after a receipt of a properly documented request for any requested quantity of goods (Základní informace pro každého importéra do ČR, 2009).

Besides the tariff duties, value added tax (VAT) at the standard rate of 21% (in case of reduced rates – 15% or 10%) is levied on imported goods that enter into free circulation in the Czech market. The reduced 15% VAT is applied to food, non-alcoholic drinks, water and sewerage, or accommodation services. The Czech Republic has another reduced VAT rate (10%) since 2015. This rate is applied to medicaments, books and baby food (Sazby DPH aktuálně, 2016).

Table 3: **Selected commodities and their VAT rates in the Czech Republic, and tariff rates according to TARIC**

Commodity	Preferential Tariff	VAT
Prawns/Shrimps	4.2%	15%
Lobsters	5.6%	15%
Bigeye Tuna	18.5%	15%
Green tea (not fermented) in immediate packings with a content not exceeding 3 kg	0%	15%
Pepper, unground	0%	15%
Coffee, not roasted, not decaffeinated	0%	15%
Rice, long grain	EUR 175,00 / 1000 kg	15%
Men's Overcoats, car coats, capes, cloaks and similar articles	9.6%	21%
Women's Jerseys, pullovers, cardigans, waistcoats	9.6%	21%
Sports footwear	4.5%	21%
Medicaments	0%	10%

Data source: TARIC, 2016

2.3.2. Import customs procedures in Vietnam

Vietnam, similarly to the EU, uses electronic customs tariff (Law No. /2013/QH 10, Article 25 of 16 April 2014), which is available on the website of the Customs Administration of Vietnam. This tariff database, harmonised with international standards, like TARIC, is very easy and convenient to use.

Vietnam's customs tariffs now consists of three tariff levels:

- MFN tariffs
    - Applied to import of goods originating from countries and a group of countries, which apply the Most Favoured Nation (MFN) status in their trade with Vietnam
    - Usual tariff rates: 0 – 50%
- Preferential tariffs
    - Applied to import of goods originating from ASEAN countries
    - Will be applied to the EU after the EU-Vietnam FTA comes into force
    - The maximum tariff rate: 5%
- General tariffs
    - Applied to import of goods originating from other, non-MFN countries
    - Tariff rates shall not be 70% higher than the preferential tariff rates of the same goods items specified by the Government of the SRV

(Vietnam: Základní podmínky pro uplatnění českého zboží na trhu, 2015)

In contrast to the Czech Republic, Vietnam imposed exceptionally high tariffs on motor vehicles and some other luxury goods (see Table 4). The price difference, comparing to the Czech Republic, is particularly visible on cars. For the same car model, Vietnamese customer can pay double or even triple the price that European customer pays. High price is given not only by a high tariff, but also by a high excise tax and a special sales tax. (Taxation 2015) Moreover, Vietnam has banned imports of used cars in order to protect the domestic automotive industry and environment (Danh mục hàng hóa cấm, 2015).

Goods and services in Vietnam are subject to VAT, and depending on the category of goods, the state can charge 0%, 5%, or 10%. For instance, “machinery, equipment, materials or means of transportation not yet able to be produced domestically and are imported to serve directly for science research and technology development activities” are not subject to value added tax (Taxation, 2015). These products are usually exempt from customs duties. The government is thus promoting import of scarce goods, and goods that Vietnam is not able to produce yet. On the contrary, higher tariffs are imposed on goods, which may “endanger” domestic producers.

Table 4: **Selected commodities and their tariff rates when importing to Vietnam from the EU**

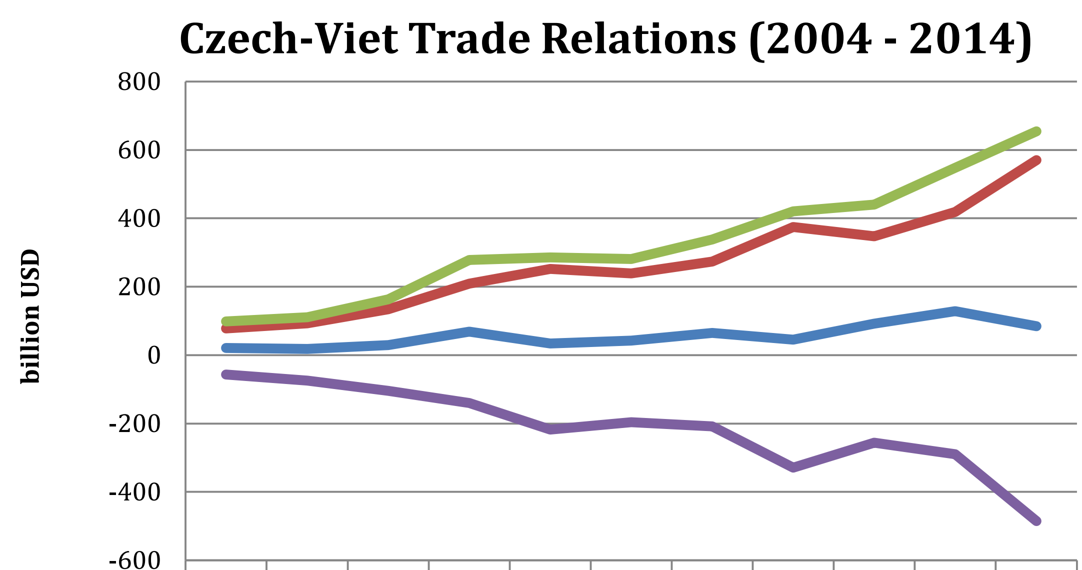
Commodity	Preferential Tariff
Beer	35%
Motor cars (including station wagons, SUVs and sports cars, but not including vans), other (< 1,500 cc)	70%
Spirits, liqueurs and other spirituous beverages (40% – 80% vol)	45%
Wine of fresh grapes (< 15% vol)	50%
Cigarettes	135%
Glassware of a kind used for table, kitchen, toilet, office, indoor decoration or similar purposes	35%
Machinery (electrically operated) for agricultural products	0%
Medical, surgical or laboratory sterilisers	0%

Data source: Vietnam Customs, 2016

2.4. Czech Republic's exports to Vietnam

Exports of goods from the Czech Republic to Vietnam are still relatively low, comparing to Vietnam's export to the Czech Republic. It is due to the fact that Vietnam mainly imports from its neighbour China, moreover, Czech commodities are relatively expensive for Vietnamese market. Nevertheless, Czech exports to Vietnam increased from USD 20.7 million to USD 84.7 million over the past ten years. In 2013, as a result of big investment projects, export of Czech goods reached a historical maximum of USD 129 million (ČSÚ, 2015). Please see Figure 6 for more detailed data.

Figure 6: **Czech-Viet Trade Relations (2004-2014)**[1]



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CZ export	20.7	18.4	29.4	69	34.1	42.2	64.7	45.4	91.9	128.9	84.7
VN export	77.5	92.7	134	209	251.8	238.7	273.4	374.8	347.8	418.9	569.8
Turnover	98.2	111.1	163.4	278	285.9	280.9	338.1	420.2	439.7	547.8	654.5
Trade Balance	-56.8	-74.3	-104.6	-140	-217.7	-196.5	-208.7	-329.4	-255.9	-290	-485.1

Data source: Czech Statistical Office (ČSÚ), 2015

[1] Data for 2015 was not yet available when writing the thesis

The commodity structure of Czech exports in 2014 was dominated by commodity group 7 SITC – Machinery and transport equipment (47.2%), 8 SITC – Industrial consumer goods (19.5%), and Manufactured goods classified chiefly by material (16.6%). The largest export items in 2014 include:

- Telecommunication devices – USD 25.5 million
- Reactors, boilers, mechanical devices – USD 12.3 million
- Weapons and ammunition – USD 7.2 million

(Vietnam: Obchodní a ekonomická spolupráce s ČR, 2015)

Czech exporters gain ground mostly in industries that require higher technological and technical knowledge, and skilled workforce. As Vietnam is still not able to produce high value added products, it needs to import them from more developed countries such as the Czech Republic. To give more examples, equipment for power, food processing equipment, buses and trucks, or chemical products are imported from the Czech Republic to Vietnam as well. These advanced sectors of industry pose a great investment potential for Czech investors and entrepreneurs.

2.5. Vietnam's exports to the Czech Republic

Export of goods originating from Vietnam to the Czech market experienced a massive growth during the last ten years. While in 2004, Vietnam's export amounted to "only" USD 77.5 million. In 2008, the value of exports was already three times greater and the export of USD 570 million in 2014 is so far the historical maximum (see Figure 6). (ČSÚ, 2015) The commodity structure of Vietnam's exports to the Czech Republic in 2014 was dominated by commodity group 7 SITC – Machinery and transport equipment (54.1%), 8 SITC – Industrial consumer goods (31.4%), and 0 SITC – Food and live animals (6.7%).

Table 5: **Five largest export items in 2014**

Commodity	Stat. value (million USD)
Electronic recording, audio, and TV devices	218.3
Footwear, gaiters and the like products, or parts of these products	91.9
Reactors, boilers, and other mechanical devices	55.2
Motor vehicles, tractors, bicycles and other vehicles	35
Clothing, and clothing accessories, other than knitted and crocheted	23.6

Data source: Czech Statistical Office (ČSÚ), 2015

As seen from Table 5, Vietnam exported to the Czech Republic electronic devices at the most. However, it is necessary to note that high-tech devices are exported due to foreign direct investments from corporations such as Samsung Electronics, LG, or Microsoft, which opened its factory in Bac Ninh in 2013. The Czech Republic serves not only as a consumer market for these products, it also serves as a transit country for Slovakia and Hungary (Hải Nam, 2014). Export of footwear and textiles is based on a similar model. Since diligent Vietnamese labour is relatively cheap, clothing companies like Zara, H&M, Nike and Adidas have built their factories in Vietnam as well. "True" Vietnamese goods that are exported to the Czech Republic mainly consist of raw materials, seafood, coffee and tea, or pepper. For instance, in 2014, the value of exported coffee, tea, mate, and pepper was about USD 14.8 million (ČSÚ, 2015). Vietnam is now considered as the world top exporter of pepper, the second biggest exporter of coffee, and the fifth biggest exporter of rice (Workman, 2016).

2.6. Free Trade Agreement between the EU and Vietnam

The EU-Vietnam Free Trade Agreement, announced on 2 December 2015, will significantly improve the trade and investment relations between the Czech Republic and Vietnam. This agreement will cut a majority of existing tariffs. Vietnam has committed to liberalise 65% of import duties on EU exports to Vietnam as of the enforcement of the agreement. Remaining duties will be gradually eliminated over a 10-year period. On the other hand, Vietnam will profit from the liberalisation of EU tariffs, which will be gradually eliminated over the next 7 years. Additionally, Vietnam will remove the majority of its export duties in its bilateral trade with the EU, and has concurred not to increase those that remain in force. Besides that, the FTA will remove non-tariff barriers to European exports as well. For instance, regarding the sanitary and phytosanitary measures, both sides have agreed on regionalisation and recognition of the EU as a single entity. Thus, EU companies will have much easier access to the Vietnamese market.

Furthermore, the agreement includes the protection of European geographical indications in Vietnam. This means that geographical indications such as Champagne, Roquefort cheese, or Scotch whisky will be reserved for traditional products coming from European regions. Vietnam has also committed to high level of protection of intellectual property rights that goes even beyond the standards of WTO TRIPs agreement. In combination with the rules on transparency and consultations on domestic subsidies, there will be a level playing field for EU companies in Vietnam. Moreover, EU service operators will have an easier access to the Vietnamese market. Vietnam will substantially improve access for European companies to a broad range of services sectors such as banking, insurance, maritime transport, or other business services. Promoting and protecting investment is another important part of the FTA. Vietnam has promised to open up to investments in some key sectors (e.g. food products and beverages, ceramics, construction materials, tyres and tubes) (Fact and figures: Free trade agreement, 2015).

Overall, the Free Trade Agreement between the EU and Vietnam is considered as one of the most important agreements both parties have ever made. It will significantly intensify the trade and investments between the EU countries and Vietnam in the upcoming years.

3. Investment relations between both countries

As economic growth is strongly correlated with the accumulation of capital (Solow, 1956), it is may be difficult for developing countries to save much investment capital due to the low average incomes resulting into limited ownership of funds. Foreign direct investment could be seen as one of the solutions to the problem. Besides the addition of the necessary capital to a host country, FDI also creates new jobs and educates unskilled labour, thus, creating human capital. As such, a positive aspect of FDI is the transfer of technical and capital knowledge. With regards to the countries in discussion, the benefits of FDI are clearly visible also in the Czech Republic and Vietnam. The transforming post-communist economy of the Czech Republic has experienced a big influx of investment not only from the developed countries of the EU, namely Germany, but also from other countries such as the US, South Korea, or Japan. Even more apparent benefits of FDI are seen in the case of Vietnam. After the "Đổi Mới" reform, the country has attracted many investors from all over the world. Investment from foreign countries has been strongly contributing to the economic development of Vietnam ever since. Comparing the GDP in 1986 (USD 1.7 billion) and 2014 (USD 186.2 billion), Vietnam, thanks to FDI, has clearly improved its economy and the standard of living in the country (World Bank, 2015).

The Czech Republic also has made some investments in developing Vietnam. Investment relations between the countries are still rather in early stages, however, the Czech Republic plans to invest more in the upcoming years. In comparison to China, Vietnam is now more attractive for foreign investors due to its relatively stable political situation, and cheaper labour. On the other hand, quite surprisingly, there are investments made by Vietnamese investors into the Czech Republic as well. This just demonstrates that Vietnam is no longer a poor developing country. I will describe mutual investments more in detail in the following subchapters.

3.1. Vietnam's investments in the Czech Republic

Vietnam's investments in the Czech Republic are still very limited due to certain reasons. First of all, the country is still in the development stage, focusing mainly on production and export of locally produced goods. In addition, the competitiveness and maturity of Czech industrial sector pose a great challenge to Vietnamese investors, which is not easy to overcome. The agricultural sector also requires advanced machines, and Vietnam cannot yet compete with the Czech Republic in this aspect. In theory, that only leaves the service sector for viable investments. Indeed, there have been few cases of such. For instance, Vietnamese bank BIDV (Bank for Investment and Development of Vietnam) opened its first office in Prague in 2012. In the beginning, BIDV was only probing the Czech market and providing consulting services to the Vietnamese community living in the Czech Republic, and Czech businesses that would like to invest in Vietnam. However, BIDV has recently bought and reconstructed a building near Jiřího z Poděbrad square, and it is now making effort to obtain the banking license from the Czech National Bank (Vagaday 2014). A large Vietnamese community in the Czech Republic and the interests of local companies to invest in Vietnam attract other Vietnamese banks to enter the Czech market as well. One of them is VietinBank – the biggest bank in Vietnam. VietinBank, in comparison to BIDV, wants to provide regular banking services right from its potential entry to the Czech market. Vietnamese banks in the Czech Republic will mainly focus on Czech and Vietnamese companies that have investment and trade links with Vietnam and the Czech Republic (Vagaday, 2014).

3.2. Czech investments in Vietnam

As already mentioned, "Đổi Mới" reform and the following gradual liberalisation of the Vietnamese market attracted many investors into the country. Lower taxes (in special economic zones), cheap labour, abundant mineral and natural resources, and strategic position in the Pacific region – these were the reasons why many have invested in Vietnam. Czech investors have entered the Southeast Asian country since the 1990s. Most of them focused on the industrial sector (particularly mining sector), in which Vietnamese companies, due to the lack of technical knowledge, were not competitive yet. One of the companies that invested in this sector is B.G.M. holding. The company has been operating the plant for mining and processing of kaolin since 2010 (see Table 6). Their investment of CZK 500 million placed it among the biggest Czech investments made in Vietnam (Vagaday, 2014). Furthermore, many Czech companies, due to cheaper Vietnamese labour, decided to manufacture goods in Vietnam as well. For example, in August 2014, Czech company Elmich Group s.r.o., opened its new factory for manufacturing of kitchen and home appliances in industrial zone Đồn Xá, Hà Nam. With this new investment in the value of USD 18 million, Czech foreign direct investments in Vietnam has overcome the threshold of USD 100 million (České investice ve Vietnamu, 2015).

Table 6: **Selected Czech investment projects in Vietnam**

PPF Group
Investments in banking and insurance sector • Investment of USD 25 million in banking company specializing in providing consumer credits • PPF Vietnam Finance Ltd. now has 2 branches in HCM City and Hanoi
Inekon Group a.s.
Construction of the cement plant in Ninh Binh province • 1 million tonnes of cement annually • Essential equipment supplied by Czech companies (e.g. PSP Engineering Přerov)
ALTA, a.s.
Supply of mining equipment to VINACOMIN • 3 large deliveries to hard coal mines in Northeast Vietnam
B.G.M. holding
Plant for mining and processing of kaolin in Quang Binh province • Investment worth CZK 500 million • In operation since October 2010
BTG Energy
Construction of an industrial zone and factories • E.g. construction of plant for production of pressure boilers for thermal power plants; brewery (capacity of 2 million hectolitres); factory for production of solar cells

Data source: Businessinfo.cz, 2014

Moreover, with the recent establishment of duty free ASEAN Economic Community, we will likely see more Czech companies entering the Vietnamese market in the upcoming years. Especially companies that would like to shift their production to Vietnam, or invest into the extraction of natural resources can strongly benefit from the ASEAN Economic Community. Seeing a Czech company producing in Vietnam now has favourable conditions for entering prospering markets of other ASEAN countries as well (e.g. Czech beer brewed in Vietnam can be exported with no duty to Malaysia). Taking into consideration the total population of ASEAN countries (over 600 million), Czech companies have a great opportunity to successfully develop their businesses in this region (Thompson and Tonby, 2014).

3.3. Investment opportunities in Vietnam

Even though large investments from international corporations over the past 30 years might indicate that there are not many areas left to invest in, the opposite is rather true. Many industries in Vietnam are still not fully developed yet, hence, they promise a great investment potential for foreign investors. These are mainly industries that require advanced machines and professional knowledge such as power engineering, extraction of natural resources, or manufacturing of sanitary equipment and machines. Before discussing the particular industries, I will start with a SWOT analysis of the Vietnamese market from the perspective of a Czech investor (see Table 7). What should a Czech investor be aware of? What are the strengths of the Vietnamese market?

Table 7: **SWOT Analysis of the Vietnamese market**

STRENGTHS
• Constant economic growth over the past 20 years (5-7% annually) • Membership in international organisations and agreements (WTO, ASEAN, TPP) • Political stability, a slight liberalisation of the government • Increasing experience of other Czech companies with Vietnamese market • Gradual liberalisation of Vietnamese market

WEAKNESSES[2]
• High level of corruption; poor management of state enterprises • Low production efficiency; waste of natural resources, energy; high pollution • It is very difficult to develop business activities with no physical presence in the country (e.g. due to bureaucracy, or local laws)
OPPORTUNITIES
• Strengthening the energy sector in the country → production of electricity • Modernisation of state enterprises and infrastructure • Extraction of natural resources • Dynamic development of the private sector • Interests of banks and other international institutions to finance new projects
THREATS
• Growing income inequality • Rising competitiveness of domestic producers • Bankruptcies of inefficient state enterprises and their negative effect on economic development • Challenging competitive environment due to the increasing presence of large multinational corporations

Data source: Businessinfo.cz, 2014

As the SWOT analysis shows, there are many investment opportunities in Vietnam. One, however, should be aware of the potential risks such as the growing gap between rich and poor people, tough competition in certain industries, and especially corrupted bureaucracy. Unfortunately, the level of corruption in Vietnam is still relatively high and investors need to bear that in their minds and take it into account. In some cases, the success of a business also depends on its connections with the state officials. These people can help successfully build a business in a very short amount of time, but, on the other hand, they can also be the main reason for the business' failure. Nevertheless, in the majority of cases, such issues did

2 Strengths and Weaknesses are meant from the perspective of Vietnam
Opportunities and Threats are relevant to potential Czech investor

not occur and Vietnam is still a favourable country to invest in. Moreover, Vietnamese government is constantly fighting against the corruption helping to bring more investors into the country.

Which industries can be, in my opinion, perspective for Czech investors? First of all, I see a huge potential in ***power engineering***. Since Vietnam is in the developing process, the country will also need more and more energy for consumption in the future. Unfortunately, Vietnam is still not able to build power plants without help from developed countries. Thus, there is an opportunity of investing in nuclear, solar, wind, or hydro power plants.

There is also space for investing into the ***extraction of natural resources***. Vietnam is very rich in natural resources (e.g. bauxite, phosphates, coal, offshore oil, chromate). However, the country does not have enough sufficient machines and knowledge for the extraction. Czech companies can supply Vietnam with their machines, which have a very good track record (there were already numerous supplies of Czech machines in the past).

Another opportunity is to invest in ***infrastructure***, which is still not really developed yet. Many roads were destroyed during the wars, and the country did not have enough money to repair them. Although the infrastructure has improved over past 10-15 years, Vietnam still lacks a quality network of highways and roads connecting cities and provinces. Speeding up the transport of goods will make a trade in the country more effective and efficient. Besides that, Czech companies can be also successful in exporting or manufacturing means of transport such as buses, trucks, and cars.

The ***service sector*** in Vietnam also poses a big investment potential. The success of the PPF Group (see Table 6 – page 34) proves that investing into banking and insurance sector can be very profitable. However, it does not have to be only these two sectors, Vietnam is also famous for its magnificent and diverse nature. Millions of tourists from all over the world come to visit Vietnam every year. Hence, Czech investors have an opportunity to invest into the hospitality industry as well. Popular coastal destinations such as Da Nang and Nha Trang, or Phu Quoc Island have attracted a lot of foreign investors, who have built luxury hotels, resorts, and theme parks in there.

I also believe that Czech beer breweries could succeed in the Vietnamese market. Considering the annual per capita beer consumption, Vietnam is the third biggest consumer in Asia (Retale 2014). Vietnamese perceive Czech beer as one of the top beers, however, because of higher prices of imported beers, consumers rather prefer drinking local brands. Opening a brewery in Vietnam would eliminate import costs, and lower the prices of Czech beers. Besides satisfying the demand of the Vietnamese market, Czech beer can be exported from Vietnam to other ASEAN countries as well. Generally speaking, cooperation with Vietnam in the field of ***mechanical engineering*** (e.g. supply of advanced machines for manufacturing, breweries, or sanitary equipment) may be very attractive for potential Czech investors.

To conclude this subchapter, I would like to note that there are naturally many other industries, in which Czech companies can invest. I have just pointed out those sectors, which are, from my point of view, not as competitive yet and could be a promising opportunity for potential investors from the Czech Republic.

Conclusion

The gradual strengthening of relationships between both countries over the past 65 years has shown that economic cooperation between the Czech Republic and Vietnam is definitely on the right path. Mutual trade between the two countries is increasing every year and there are more investment interests not only from the Czech side but also from investors in Vietnam as well. Liberalisation of the Vietnamese market and numerous trade agreements are without doubt the main driving forces of the development of Czech-Viet relations. However, I also believe that the large Vietnamese community living in the Czech Republic is another reason why both countries vigorously keep strengthening their mutual cooperation.

From my point of view, trade and investments between the Czech Republic and Vietnam will become even more intense in the following years due to the onset of “the second generation” of Vietnamese in the Czech Republic. Generally speaking, they are equipped with better language and professional knowledge in comparison to their parents. And these young ambitious people certainly have the ability to deepen Czech-Viet business relations. Some can pursue their careers in importing goods from Vietnam to the Czech Republic and vice versa. Considering their familiarity with both cultures, they can also work as economic consultants for Czech companies that would like to do business in Vietnam. Such consultants can encourage more Czech investors to come to Vietnam. Having an expert in the field, who can speak both Czech and Vietnamese, would make trade or investment in the foreign country smoother and safer.

The lack of information, uncertainty, and fear of failure has been often discouraging Czech companies from entering to Vietnamese market in the past. Nevertheless, today’s situation is getting better thanks to web portals such as “www.investinvietnam.vn” or “www.vietrade.gov.vn”, and other promotional activities conducted by the Government of the SRV. I would still suggest Vietnamese government to establish more organisations specialising in export and import, which would help foreign entrepreneurs to enter the market. I am convinced that such establishments are necessary for further strengthening of business and investment relations between both countries.

However, what the government needs to do the most is to solve the problem of high degree of corruption and bureaucracy and the weak legislation system. Solving such sensitive issues is very complicated and time-consuming, but I hope that the government will find the way. Vietnam needs to establish a fair and equal business environment for both foreign and local companies. Although it might not be seen as a big obstacle now, from the long-run perspective, such persistent issues can discourage new investors from investing in Vietnam.

Looking at the opposite view, it is obvious that there will be only a few Vietnamese investors coming to the Czech market in the near future. It is due to the fact that the economy of Vietnam is now still in development and the country mainly focuses on exportation. As such, I expect that the Czech Republic will import more goods from Vietnam in the following years since a large number of international companies has shifted their production to Vietnam.

Overall, the researched insights about the economic cooperation between both countries unambiguously suggest that the potential of Czech-Viet trade and investment relations is without doubt huge. If the cooperation between countries keeps growing at the same rapid pace as it has been developing over the last 10 years, Vietnam can perhaps become one of the biggest Czech Republic's trade partners in Asia. Regarding the investment environment, I believe that Vietnam, despite the existing risks and problems, is still an attractive country with many investment opportunities for Czech investors. Nonetheless, having a large Vietnamese community in the Czech Republic might create an investment incentive for other companies from Vietnam as well.

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